



## North Carolina Department of Revenue

Beverly Eaves Perdue  
Governor

Kenneth R. Lay  
Secretary

December 21, 2009

### MEMORANDUM

TO: Users of Cost Index and Depreciation Schedules

FROM: Kirk F. Boone, PPS  
Property Valuation Specialist II  
Property Tax Division

RE: 2010 Schedules

This letter serves as notice that the Cost Index and Depreciation Schedules for the 2010 tax year are available. We will have the Cost Index and Depreciation Schedules on the web as soon as possible. The Division's publication site is at <http://www.dor.state.nc.us/publications/property.html>.

We recommend the use of these schedules in the valuation of business personal property and certain taxable personal property listed as of January 1, 2010.

There were a few changes this year, other than the usual percent good factor adjustments. These changes are for appraisals as of January 1, 2010 and forward only and are not retroactive. The changes have been marked with an asterisk in the index and are described below:

- 1) Hydro-Electric, Steam Powered, Natural Gas, and the new Photovoltaic electric generation schedule have been grouped together under one major category on Page 6 titled, "ELECTRIC ENERGY GENERATION EQUIPMENT". The photovoltaic electric generating equipment recommended schedule is T-18 and should be used for commercial solar power electricity generation equipment using photovoltaic technology. Solar energy heating and cooling systems used in buildings may only be assessed as per NCGS 105-277(g) and should not be confused with solar and photovoltaic electric energy generation equipment.
- 2) On page 6, we have attempted to clarify that the major category "ELECTRICAL EQUIPMENT" pertains to manufacturing equipment, not the electrical equipment itself.
- 3) On page 12, we have reformatted to more clearly distinguish the descriptions and related estimated useful economic lives under the major category "PHOTOGRAPHIC".
- 4) Regarding the major category, "TEXTILE MILL PRODUCTS" - In the mid to late 1990's, the exodus of the textile manufacturing industry in North Carolina created an overcapacity of textile manufacturing equipment. As a result of this overcapacity, we

created special schedules A-8 and A-10 granting additional obsolescence for this type of equipment. It is our opinion that this special schedule is no longer needed for most newer textile mill equipment. The majority of textile mills still in operation use more modern technologies and equipment which cured the obsolescence accounted for in the special A8 and A10 schedules. For older technology textile mill equipment in use, we recommend considering Attachment 1 of this memo as appropriate based on your familiarity with the equipment being appraised.

- 5) We have added a recommendation for automatic bulk ice vending machines under the major category "VENDING EQUIPMENT". This recommendation is for the type of personal property shown at this website: <http://www.icehouseamerica.com/>
- 6) The digital television transition required full powered TV stations to end analog broadcasting before June 13, 2009. Idle analog broadcasting equipment has very little to no market value as of January 1, 2010. If abandoned in place, the cost to remove the equipment is likely more than its market value, which would result in a zero value in our opinion. Although full powered TV stations cannot transmit an analog signal, low-power television (LPTV) stations will be permitted to continue analog broadcasts for several more years. Any analog television broadcasting equipment still in use may be appraised using the special 10% residual B-5 schedule in the right column of page 18.
- 7) For jurisdictions with fiber optic manufacturing equipment, we again as last year suggest a review of any properties that have been granted additional depreciation pursuant to our suggested additional 25% reduction for temporarily idle equipment on Index Page 7. We have received indications that some of this equipment has been placed back into operation.

In 2005, the North Carolina Court of Appeals affirmed the North Carolina Property Tax Commission's decision in the matter of the appeal of Westmoreland –LG&E Partners from the decision of the Halifax County Board of Commissioners for the tax years 1996-2001. In its decision, The North Carolina Court of Appeals opinion quoted excerpts from the Property Tax Commission's decision. The opinion quotes, "The Tax Administrator properly applied the Cost Index and Depreciation Schedules developed by the North Carolina Department of Revenue..." The Court also writes, "It is well-settled in this State that ad valorem tax assessments are presumed correct." This and other previous cases have solidified our opinion that when used properly, the Cost Index and Depreciation Schedules are well accepted by the courts.

These schedules have been prepared by this office as a general guide to be used in the valuation of business personal property utilizing the replacement cost approach to value. It is important to remember that the schedules are only a guide. There may be situations where the appraiser will need to make adjustments for additional, or less, functional or economic obsolescence, or for other factors.

We feel that the proper use of the schedules will aid in the overall uniformity and equity of property tax assessment practices as required by North Carolina statutes. If you have any questions about these schedules please contact Kirk Boone, Dave Duty, or Gregg Martin at 919-733-7711.

## Attachment 1 - Special Textile Mill Equipment

Year		Life in Years	
Acq'd	Age	8	10
		Percent Good	
2009	1	78	81
2008	2	64	69
2007	3	53	59
2006	4	41	49
2005	5	29	39
2004	6	19	30
2003	7	9	22
2002	8	5	14
2001	9	5	6
Prior		5	5

This 8 and 10 year schedule is for older technology textile equipment only. These schedules reflect additional obsolescence and a 5 percent residual.